CCT QUESTION

SUBJECT: BUSINESS STUDIES **MAX.MARKS:4**

CLASS: XI COMMERCE

Giridhar Enterprises, a startup specializing in organic food products, has been in business for two years. The company's founders, Vaishnav and Sanju, initially funded the business using personal savings. Over time, their business gained popularity, and they now face the need for additional funds to expand operations and meet increasing demand. They are considering various sources of finance to achieve this growth.

Vaishnav is in favour of borrowing money from a bank in the form of a loan, as he believes this will allow them to maintain full control of their business. Sanju, on the other hand, suggests that they could consider raising funds through equity by bringing in an investor or going public to avoid repaying a loan with interest.

1. **Which of the following is an advantage of debt financing (bank loan) for Giridhar Enterprises?**
   a) No repayment obligations
   b) Retention of ownership and control
   c) No interest payments
   d) Investors share the risk of the business
2. **What is a major disadvantage of raising funds through equity for Vaishnav and Sanju?**
   a) Interest payments
   b) Loss of ownership or control
   c) Fixed obligation of repayment
   d) Inability to raise large sums of money
3. **Which of the following is a short-term source of finance that Giridhar Enterprises can consider?**
   a) Debentures
   b) Trade credit
   c) Public issue of shares
   d) Venture capital
4. **Which type of financing involves periodic interest payments and repayment of principal?**
   a) Equity finance
   b) Trade credit
   c) Debt finance
   d) Retained earnings

ANSWERS:

1. b) Retention of ownership and control
2. b) Loss of ownership or control
3. b) Trade credit
4. c) Debt finance